

Goldstone, Larry A. / Inv. 3/16/2010 7:58:00 AM

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

EXHIBIT B

3 In the Matter of:)

REDACTED

4) File No. D-02968-A

5 THORNBURG MORTGAGE, INC.)

6

7 WITNESS: Larry A. Goldstone

8 PAGES: 212 through 389

9 PLACE: Securities and Exchange Commission

10 Central Regional Office

11 1801 California Street, Suite 1500

12 Denver, Colorado

13 DATE: Tuesday, March 16, 2010

14

15 The above-entitled matter came on for hearing, pursuant

16 to notice, at 9:10 a.m.

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.

25 (202) 467-9200

1 securities lending agreement dated September 20, 2007, et
2 cetera.

3 Q And is that global master securities lending
4 agreement dated as of September 20, 2007 the master
5 repurchase agreement that we've been talking about today?

6 A I cannot say for certain but it likely is.

7 Q And was the first time you say Exhibit No. 77 in
8 preparation for your testimony?

9 A I don't recall seeing it on February 21, 2008 or in
10 that vicinity. It is possible that I did but my memory has
11 been refreshed as a result of preparation for these
12 proceedings.

13 Q Looking at the second page of Exhibit No. 77, the
14 letter that was sent from Citibank to Thornburg, it's to your
15 attention. Do you see that on the attention line?

16 A I do.

17 Q Do you recall whether or not you received a copy of
18 this?

19 A I most likely did, yes.

20 Q What is your understanding as to why this document
21 was sent?

22 A This document was sent because Citibank was very
23 meticulous in memorializing all of the sort of communications
24 and conversations that we had. It was a characteristic that
25 was, quite frankly, unique to Citibank amongst all of our

1 repo lenders. They were more meticulous about sending these
2 letters than anybody else and this was essentially a
3 reservation of rights saying that they had the right to
4 declare an event of default but they have not declared an
5 event of default.

6 Q Do you recall any discussions about this particular
7 letter in the timeframe leading up to the filing of the Form
8 10-K?

9 A I don't recall any, no.

10 Q Looking at the first paragraph of the second page
11 of Exhibit No. 77, Bates number TMI-SEC-63539, it states,
12 "Following demand from Citi, a copy of which is attached for
13 your reference, the fund failed to perform its obligations
14 under paragraph 5 of the agreement ("breach"). As a result
15 of the breach and in accordance with paragraph 14.1(ii) of
16 the agreement, Citi now has the right to declare an event of
17 default to have occurred."

18 Is it your understanding in the timeframe leading
19 up to the filing of the Form 10-K that Citibank had
20 considered Thornburg to have breached its obligations under
21 the global master securities lending agreement?

22 A I guess I could agree with that, yes. But they did
23 not declare an event of default.

24 Q Right. But it was your understanding that Citibank
25 reserved the right to declare an event of default at any

1 time?

2 A They did, yes.

3 Q Do you know whether Thornburg's auditors were

4 provided with a copy of the February 22 letter from Citibank?

5 A I do not know whether they were or not, no.

6 Q Did you instruct anyone to provide a copy of this

7 letter to Thornburg's auditors?

8 A I don't recall instructing anyone to do that, no.

9 Q Conversely, do you recall any communications about

10 whether or not this letter should be provided to the

11 auditors?

12 A I don't recall whether it should have been or not.

13 In my mind, this letter was a formality. That is all this

14 was.

15 Q Do you know whether a copy of this letter from

16 Citibank was provided to Thornburg's counsel?

17 A I believe that it was, yes.

18 Q Do you recall which counsel it was provided to?

19 A Heller Ehrman would have been our counsel. That's

20 who we would have provided it to.

21 Q Excluding the content of any communications you

22 might have had with Heller Ehrman, did you have any

23 communication with Heller Ehrman in reference to this

24 February 21, 2008 letter?

25 A I don't recall a specific conversation around this